Annual Report
April 1, 2008 - March 31, 2009

eHealth Ontario

New Beginnings

Ontario
eHealth Ontario

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Beginnings

NEW

Created in 2008, eHealth Ontario plays a leading role in the provincial government's strategy to use information technology and innovation to improve patient care, safety and access to health services.

Vision

Achieving excellence in health care by harnessing the power of information.

Mission

Deliver a comprehensive, patient-focused, secure and private electronic system that will improve the way patients receive care.

Mandate

Play a leading role in harnessing information technology and innovation to improve patient care, safety and access in support of the government's health strategy.

- Provide a single, harmonized and coherent ehealth strategy for Ontario that supports the government's health agenda.
- Align all publicly-funded ehealth initiatives through a single point of accountability.
- Encompass all provincially funded health care system information initiatives that support clinicians and patient care delivery, and are actually or potentially province-wide in scope.

Message from the Chair

RITA BURAK

This is an exciting time for electronic health initiatives in Ontario. Efficient and innovative leveraging of technology will allow us to eventually achieve nothing less than a complete transformation of health care as we know it. And, eHealth Ontario will be at the forefront of that health care revolution.

The Government of Ontario has given us a broad mandate for a comprehensive, patient-focused, secure and private electronic system that will dramatically improve the way patients receive care.

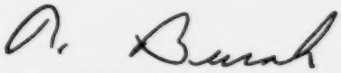
In merging the Ministry of Health and Long-Term Care's eHealth Program with our predecessor, Smart Systems for Health Agency, the government has brought together the expertise to help make a wide array of ehealth solutions a reality for the people of Ontario.

Our project priorities will eventually lead to the creation of an electronic health record for each Ontarian — an important goal of our government that will significantly improve patient care and reduce health care costs.

That said, in the organization's eagerness to produce tangible results quickly in this past year, it fell short in meeting two important taxpayer expectations — specifically, to spend their money wisely and to maintain strict oversight of some discretionary spending. The board of directors and the leadership of eHealth Ontario apologize and promise to do better as we move forward.

In fact, significant reforms have already been put in place to ensure that as we move forward, we move responsibly. We are following the government's new procurement directive. Discretionary spending is being monitored closely. We have limited the use of external consultants, and we are keeping a close eye on all expenses. We are striving to earn the taxpayers' trust again.

I would like to take this opportunity to acknowledge the dedication of those who devote time and expertise as members of our board of directors. On behalf of the board and all of our employees, we invite you to review our accomplishments to date and we look forward to the opportunity to contribute to better health care in Ontario.



RITA BURAK
Chair

Message from the CEO

RON SAPSFORD

New beginnings are almost always both a challenge and an opportunity. In our ongoing journey to improve patient care through the use of technology, the employees of eHealth Ontario have come to appreciate the challenges and opportunities, and, most particularly, the weight and importance of our mission, vision and mandate.

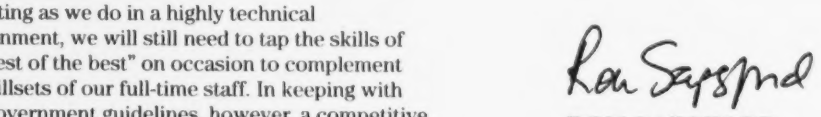
eHealth Ontario's role and priorities are key to the transformation of Ontario's health care system. Our recently-published ehealth strategy now paves the way for us to move forward with a fully-funded plan to cut emergency room and other wait times, reduce prescribed medication errors, and ensure diabetic patients and care providers get the best possible information to manage their health.

To accomplish these goals, however, we will also be working hard to rebuild the taxpayer and health care communities' confidence in our organization. In recent months, our new agency has come under public scrutiny for its use of external consultants and our monitoring of their discretionary spending practices. Rightly, we have been prompted to step back and re-evaluate our system of checks and balances.

Operating as we do in a highly technical environment, we will still need to tap the skills of the "best of the best" on occasion to complement the skillsets of our full-time staff. In keeping with new government guidelines, however, a competitive tendering process will help find the most qualified consultants delivering the best value for money, and they will no longer be reimbursed for hospitality, food or incidental expenses.

Ultimately, we realize our greatest responsibility is to fulfill the expectations of the government and people of Ontario. Those expectations form part of our mandate and, once achieved, will save billions of dollars annually in health care costs. In time, we will help deliver tangible benefits to Ontario's patients, modernize our health care and, most importantly, save lives.

On behalf of everyone at eHealth Ontario, allow me to say we embrace these responsibilities, and we will strive to make a real and positive difference in the lives of patients and their families.



RON SAPSFORD
Acting president and CEO

Our board of directors

A diverse and expert board of directors advises and oversees eHealth Ontario in fulfilling its vision, mission and mandate. Reporting to the Minister of Health and Long-Term Care, the board adds accountability to eHealth Ontario's activities, helping it maintain the trust of government and health care providers while maintaining operational independence.

eHealth Ontario board members[1] include:

RITA BURAK,

(Tenure: June 18, 2009 – December 14, 2009)

A former Deputy Minister and former Secretary of Cabinet, Rita is President and CEO of the consulting partnership, The Network Executive Team, Management Consultants, Inc.

MATTHEW ANDERSON,

(Tenure: September 29, 2008 – September 28, 2009)

Formerly Vice-President and Chief Information Officer of the University Health Network, Matthew is CEO of the Toronto Central Local Health Integration Network. Matthew sits on the Finance and Audit Committee and the Projects and Performance Committee.

KHALIL E. BARSOUM,

(Tenure: February 25, 2009 – March 25, 2010)

Khalil spent much of his career as a senior executive at IBM Canada and IBM Consulting Group. Khalil is chair of the Governance and Compensation Committee.

KEN DEANE,

(Tenure: September 29, 2008 – September 28, 2009)

Ken is Assistant Deputy Minister of the Health System Accountability and Performance Division at the Ministry of Health and Long-Term Care. Ken sits on the Finance and Audit Committee.

MICHAEL B. DECTER,

(Tenure: February 25, 2009 – March 25, 2010)

A Harvard-trained economist, Michael serves as President and CEO of the investment management firm, LDIC Inc. and served as Deputy Minister of Health for Ontario with responsibility for the management of the Ontario health system. Michael is chair of the Finance and Audit Committee.

LISA R. LIFSHITZ,

(Tenure: February 25, 2009 – March 25, 2010)

Lisa is a partner at Gowlings LLP and a member of the firm's Technology Industry Practice Group. Lisa sits on the Finance and Audit Committee.

J. DAVID LIVINGSTON,

(Tenure: September 29, 2008 – September 28, 2009)

As President and CEO of Infrastructure Ontario, David oversees the Crown corporation responsible for executing large-scale public infrastructure projects for the Ontario government. David sits on the Projects and Performance Committee.

HEATHER SHERRARD,

(Tenure: September 29, 2008 – September 28, 2009)

Heather is Vice President of Clinical Services at the University of Ottawa Heart Institute. Heather sits on the Projects and Performance Committee.

GEOFF SMITH,

(Tenure: March 11, 2009 – April 11, 2010)

Geoff is President and CEO of EllisDon Inc., an employee-owned international construction services company. Geoff sits on the Governance and Compensation Committee.

CAROL STEPHENSON,

(Tenure: May 13, 2009 – June 13, 2010)

As Dean of the Richard Ivey School of Business at the University of Western Ontario, Carol holds the Lawrence G. Tapp Chair in Leadership. Carol is chair of the Projects and Performance Committee.

[1] Dr. Alan Hudson was appointed chair of the board on September 29, 2008. He resigned on June 18, 2009. Sarah Kramer, was appointed president and CEO on November 3, 2008 and a part-time member of the board on February 25, 2009. She left the agency on May 31, 2009. There is one vacancy on the board of directors as of July 2009.

Within the fiscal year and until September 24, 2008, Smart Systems for Health Agency, eHealth Ontario's predecessor, was ably served by a diverse and talented board of directors drawn from business, the public sector and academia.

- Michael Lauber, Chair
- David Brown
- Rodney Dobson
- Stephen Gesner
- Dr. Nabil Harfoush
- Professor David Johnston
- Marc Kealey
- Stephanie MacKendrick
- Linda Mantia
- Jeffrey May
- Theo Noel de Tilly
- Shirlee Sharkey
- Tina Woodside

Board Member Per Diem Payments 2008-09

Board Members	Date(s) of Appointment	Tenure Ended	Payments (April 1, 2008 to March 31, 2009)
Michael Lauber (Chair)	Reappointed Dec. 7, 2005	Sept. 24, 2008	$29,700
Rodney Dobson	Reappointed Nov. 15, 2006	Sept. 24, 2008	$2,200
Stephen Gesner	Reappointed Dec. 1, 2005	Sept. 24, 2008	$4,400
Dr. Nabil Harfoush	Reappointed Dec. 7, 2005	Sept. 24, 2008	$4,125
David Johnston	Reappointed Jan. 1, 2007	Sept. 24, 2008	$2,200
Marc Kealey	Reappointed Dec. 7, 2005	Sept. 24, 2008	$4,125
Stephanie MacKendrick	Reappointed Oct. 5, 2006	Sept. 24, 2008	$3,300
Linda Mantia	Appointed Feb. 27, 2008	Sept. 24, 2008	$1,100
Theo Noel de Tilly	Reappointed Dec. 15, 2005	Sept. 24, 2008	$2,200
Shirlee Sharkey	Reappointed Nov. 22, 2006	Sept. 24, 2008	$1,375
Tina Woodside	Reappointed Jan. 1, 2007	Sept. 24, 2008	$2,750

Note: This chart reflects the former Smart Systems for Health Agency board, which was remunerated during fiscal 2008-09. There was no remuneration paid to any eHealth Ontario board member during fiscal 2008-09.

Per diem payments relating to fiscal 2008-09 for board members Khalil E. Barsoum ($760) and Michael B. Decter ($380) were paid in fiscal 2009-10 due to timing of expenses.

Evolution of eHealth Ontario

The journey begins

With the objective of creating a secure and integrated province-wide network for electronic communication among health care providers, the Ontario government saw in 2002 that its goals might best be achieved by creating a special agency to both fund and build the necessary electronic infrastructure.

That predecessor entity, Smart Systems for Health Agency (SSHA), embarked on a six-year journey to not only create that network, but also help develop new ehealth initiatives and solutions. Fully funded by the provincial government, SSHA was an enabler and provided the infrastructure for many of Ontario's early ehealth successes, including becoming the major network service provider for the Ontario Telemedicine Network and its pioneering medical teleconferencing applications to reach remote areas.

New direction and founding of eHealth Ontario

In March of 2008, the Ontario budget called for an investment of $47 million in 2008-09 and up to $239 million by 2010-11 for ehealth initiatives, ranging from online diagnostic imaging storage systems to a province-wide registry to help people with diabetes actively manage their disease together with health care providers.

Shortly after, in May of that year, the provincial government approved the strategic funding needed to develop its comprehensive patient-focused ehealth plan and SSHA was given the mandate to help create an execution strategy. By September of 2008, it was clear that SSHA, its mandate and its scope of activities, would have to evolve to match the future ehealth strategy's objectives.

On September 29, 2008, the Government of Ontario announced that eHealth Ontario, a newly restructured agency responsible for supporting and co-ordinating ehealth solutions across the province, would take over from where SSHA left off.

On April 1, 2009, the Ministry of Health and Long-Term Care began transferring its eHealth Program to eHealth Ontario — formally making the agency the single point of accountability for ehealth initiatives in the province.

eHealth Ontario has been tasked with leading the implementation of the priorities set out in the ehealth strategy, including the creation of an electronic health record for every Ontarian by 2015 — an initiative that will enable better sharing of health data among all care providers, improve patient care, and create a more effective and cost-efficient health care system.

Ontario's new ehealth strategy

New ehealth clinical priorities

Electronic health care is becoming an increasingly important tool and enabler for improved access to quality patient care and innovation across Ontario. It will help transform our health care system from using predominantly paper-based records to fast, efficient and secure electronic sharing of data among authorized health care providers anywhere in the province.

As the custodian of the province's ehealth strategy, which stemmed from a widespread consultation process involving over 400 stakeholders, eHealth Ontario will focus on three clinical priorities:

- **Diabetes management** to help people with diabetes and health care providers control and manage the disease while reducing its associated complications and costs
- **Medication management** for online management of prescription medications to minimize preventable adverse drug reactions and improve patient safety
- **Wait times** for Ontario's hospitals to better manage wait times in Emergency Departments and acute care settings and reducing the wait for alternate levels of care.

The journey progresses

Each of our clinical priorities will contribute to improved quality of care for all Ontarians, improved outcomes and efficiently managed care costs. Each initiative will also lead to our ultimate goal — an electronic health record for every resident by 2015. Though the new agency only came to life mid-way through 2008, there has already been progress on several key fronts:

- In February 2009, eHealth Ontario and Infrastructure Ontario began the bid and tendering process leading toward the creation of the Diabetes Registry.
- In the March 2009 Ontario budget, the government reconfirmed its intended investment of $2 billion over the next three years for ehealth initiatives.
- In April 2009, the ePrescribing Demonstration Project launched, giving 31 pharmacies and 58 prescribers in two Ontario regions the capability to prescribe medication electronically.

Accomplishments at a glance

Ontario's first comprehensive ehealth strategy unveiled

Beginning in November 2008, eHealth Ontario began extensive consultations with hundreds of health care stakeholders and partner organizations to refresh and update the province's ehealth strategy.

Spanning three years, from April 1, 2009 to March 31, 2012, the revised and approved ehealth strategy was unveiled publicly in March 2009. It outlines a roadmap and objectives for supporting each of the agency's three clinical priorities and improving patient care. For example:

- Secure and standardized web-based portals will be the primary vehicle for delivering on the strategy's diabetes management goals, as well as facilitating health care provider participation in ehealth;
- Another cornerstone information system will be the development of a province-wide Health Information Access Layer (HIAL), providing a transaction processing and application environment that allows messaging to flow in a standard and secure way among disparate IT systems along eHealth Ontario's infrastructure;
- eHealth Ontario will provide production hosting for client and provider registries, including the provincial Enterprise Master Patient Index (EMPI). Already, the supporting infrastructure has been installed and the support arrangements have been established.

Diabetes Registry progresses

In February 2009, eHealth Ontario took a first step toward improved care for Ontarians living with the chronic disease of diabetes. Jointly with Infrastructure Ontario, eHealth Ontario invited vendors to submit Expressions of Interest for developing the system that will eventually become a province-wide Diabetes Registry.

Over 900,000 Ontarians are living with diabetes and the number is growing rapidly

The Diabetes Registry will be an interactive, real-time, information system designed to track how well all patients in Ontario with diabetes are cared for against evidence-based guidelines. Physicians can check on patient status, access lab results and send patient alerts. The objective is to reduce the gap between recommended treatment guidelines and the care Ontarians actually receive by providing clinicians with alerts, reminders and reports. This will reduce complications and improve quality of life for people with diabetes.

After companies have identified their interest and capability to design, develop, finance and maintain a chronic disease management system, eHealth Ontario and Infrastructure Ontario will begin a procurement process in fall of 2009.

Canada's first ePrescribing program

In early 2009, eHealth Ontario, in conjunction with the Ministry of Health and Long-Term Care, launched the nation's first ePrescribing Program. ePrescribing involves using technology to generate, authorize and transmit prescriptions from doctors and other prescribers to pharmacists and other dispensers. The goal is to largely eliminate errors arising from hand-written prescriptions and facilitate electronic delivery of prescriptions to pharmacies.

The first step in developing a province-wide program was the selection of two sites for an ePrescribing Demonstration Project — The Group Health Centre in Sault Ste. Marie and Georgian Bay Family Health Team in Collingwood. The three-month pilot, ending in June 2009, involves 22 pharmacies and 30 prescribers in Sault Ste. Marie, and nine pharmacies and 28 prescribers in Georgian Bay. The demonstration will allow eHealth Ontario to study the workflow, change management requirements, regulatory guidelines and impact on physicians, nurse practitioners, pharmacists and patients.

Each year, about 400,000 Ontarians suffer a preventable reaction to medication and as many as 4,000 die on average

eHealth Ontario is only beginning in its journey to support and implement the ehealth strategy that will transform Ontario's health system. During 2008-09, numerous achievements and success stories came to fruition or launched, many involving the contributions of a wide variety of partners in the health care industry.

Ramping up province-wide Diagnostic Imaging & Picture Archiving Communication Systems (DI/PACS)

By the end of 2011, the government's goal is to have 100 per cent of all diagnostic images, such as X-rays and MRIs, taken in the delivery of hospital-based health care digitally stored and accessible to the province's health care provider network. eHealth Ontario's role in the DI/PACS strategy is to support the various regional initiatives migrating from film and paper reports to digital images and reports. Ultimately, these regional repositories will be integrated with every individual's electronic health record.

Integration of the regional repositories begins in the fall of 2010 and will be fully deployed in successive waves until the end of 2011. In 2008-09, eHealth Ontario supported the DI/PACS strategy on several fronts:

- The North Eastern Ontario DI Network went live with its repository in March 2009 after completing all testing activities for 26 hub sites;
- The Greater Toronto Area West project moved to the contract negotiations stage;
- 12 new sites were added to the South Western Ontario DI network repository and implementation is underway;
- eHealth Ontario helped support development of an eligibility policy for DI network connectivity and DI service levels for network availability.

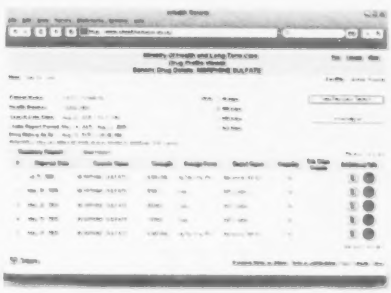
Baseline Diabetes Dataset Initiative (BDDI) launched

BDDI is a first step toward closing the diabetes care gap in Ontario and will measure the current state of diabetes care in the province. The project identifies Ontarians with diabetes and confirms who has primary responsibility for their care. Family physicians will be provided with an initial report on when their patients with diabetes last had hemoglobin A1C, LDL cholesterol, and retinal (eye) exams. eHealth Ontario is engaged in testing the BDDI with 11 primary care physicians in five Local Health Integration Networks.

BDDI will deliver Diabetes Patient Lists and Care Reports in stages to approximately 9,000 primary care providers across Ontario. After the initial testing ends in summer 2009, full implementation of the BDDI will follow in successive waves until the end of 2010.

Ongoing success of Drug Profile Viewer (DPV)

Now in all hospital Emergency Rooms across Ontario, the eHealth Ontario-hosted DPV is helping emergency health care providers quickly identify and prevent harmful drug reactions while patients are under care. With drug benefit records for over two million patients in the Ontario Drug Benefit Program and Trillium Drug Program, DPV allows medical staff to create quickly a drug profile of patients, many of whom are seniors with multiple prescriptions and potential adverse drug reactions. DPV is also available in many hospital pharmacies, in-patient and ambulatory care areas. In 2008-09, DPV was deployed in an additional 161 locations, surpassing the fiscal year target of 100 sites.



Readying province-wide Drug Information System

Eventually replacing the DPV, preparations are now underway for a Drug Information System that will allow physicians and other authorized care providers throughout eHealth Ontario's network to view a comprehensive medication profile for each Ontarian, including his or her drug history and utilization. The system will also be integrated with the ePrescribing Program.

eReferral and Resource Matching System

A critical clinical priority in the ehealth strategy is continuing to reduce wait times for care. Currently, 100 per cent of funded hospitals are now publicly reporting wait time data for all surgeries. In the coming year, work will begin on an eReferral and Resource Matching System that will improve and expedite patient referrals out of acute care to a more appropriate care environment.

eHealth Ontario has undertaken a comprehensive consultation of stakeholders to develop a provincial reference model for eReferral. The agency will also be funding new and existing initiatives by Local Health Integration Networks across Ontario that are consistent with the reference model.

Partnering with OntarioMD on electronic medical records

eHealth Ontario is working with OntarioMD to roll out electronic medical records for practice-based physician offices across the province. As of September 30, 2008 – 3,300 primary care physicians are already using clinical management systems (CMS) to create and maintain electronic medical records. Physicians can choose between two CMS models – a local solution or a application service provider solution centrally hosted by eHealth Ontario. eHealth Ontario will continue to support physicians with their adoption of electronic medical records.

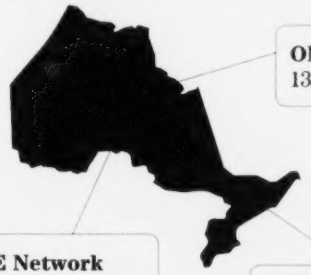
Other Notable Achievements

- eHealth Ontario has a funding role in the development of an electronic system to store images from hospital CT scanners for neurosurgical and neurological care, improving patient access to care in cases of urgent head trauma.
- eHealth Ontario was established as the major network service provider for telemedicine in Ontario, helping to enable over 42,000 clinical consultations in 2008.
- eHealth Ontario's Communications team won recognition for its internal privacy awareness campaign, "GET CAUGHT!", at the 2008 International Association of Business Communicators Silver Leaf Awards Program.

Technology Platform Achievements

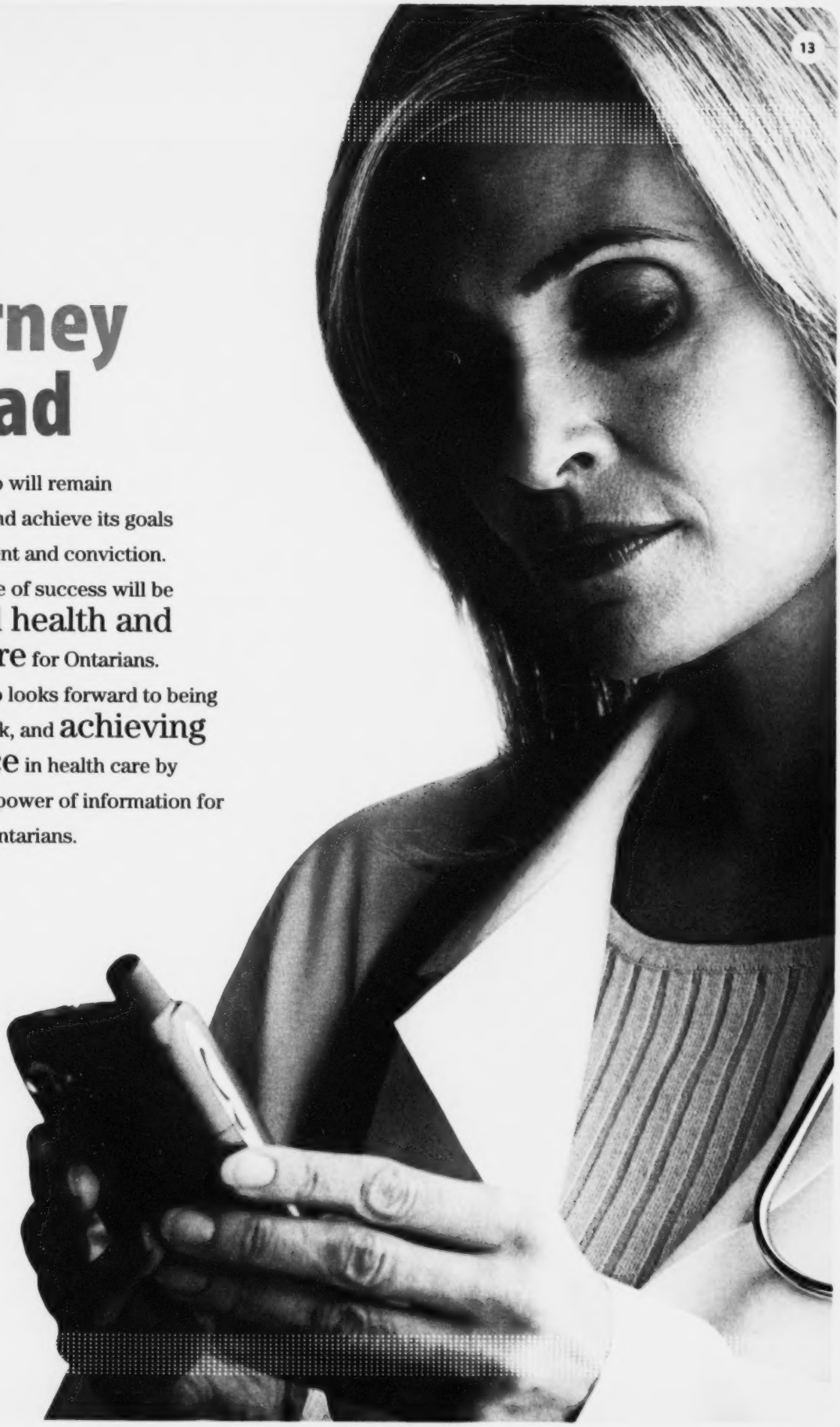
- ONE Network: 935 new health care provider sites connected to the ONE Network in 2008-09;
- ONE Mail: 18,985 new ONE Mail users deployed during the fiscal year;
- ONE ID: 8,494 new ONE ID registrants;
- Operations and Service Management: eHealth Ontario Service Desk expanded hours of operation to 24/7/365 and added French-language support during core business hours.

Where eHealth Ontario is Today (March 31, 2009)



The Journey Ahead

eHealth Ontario will remain **focused** and achieve its goals with commitment and conviction. Its true measure of success will be **improved health and health care** for Ontarians. eHealth Ontario looks forward to being part of this work, and **achieving excellence** in health care by harnessing the power of information for the benefit of Ontarians.



MD&A

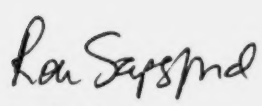
Management's Responsibility For Financial Information

Management and the board of directors are responsible for the financial statements and all other information presented in the annual report. The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and, where appropriate, include amounts based on management's best estimates and judgment. Management is responsible for the integrity and objectivity of these financial statements. The financial information presented elsewhere in this annual report is consistent with that in the financial statements in all material respects.

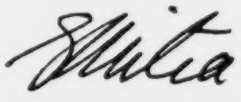
eHealth Ontario is dedicated to the highest standards of integrity in its business. To safeguard the agency's assets and assure the reliability of financial information, the agency follows sound management practices and procedures, and maintains appropriate information systems and internal financial controls.

The board of directors ensures that management fulfills its responsibilities for financial information and internal controls. The financial statements have been reviewed by eHealth Ontario's finance and audit committee and approved by the board of directors.

The financial statements have been examined by PricewaterhouseCoopers LLP, independent external auditors appointed by the board of directors. The external auditors' responsibility is to examine the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express their opinion on whether the financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. The auditors' report outlines the scope of the auditors' examination and opinion.



Ron Sapsford
Acting President and
Chief Executive Officer



Sandip Mitra
Chief Financial Officer

Management's Discussion and Analysis

The Management's Discussion and Analysis (MD&A) comments on the financial position and results of operations of eHealth Ontario (the Agency) for the fiscal year ended March 31, 2009. This MD&A should be read in conjunction with the financial statements and accompanying notes which have been prepared in accordance with Canadian generally accepted accounting principles. Management is responsible for the information presented in the annual report which includes the MD&A.

On September 29, 2008 the Government of Ontario announced the launch of eHealth Ontario – a restructured agency responsible for all aspects of ehealth. eHealth Ontario brings together the former Smart Systems for Health Agency (SSHA) and the eHealth Program of the Ministry of Health and Long-Term Care. In January, 2009 the board of eHealth Ontario approved a provincial ehealth strategy with a mandate of playing a leading role in harnessing information technology and innovation to improve patient care, safety and access in support of the government's health strategy. The financial statements do not include the e-Health Program office which was transferred to eHealth Ontario effective April 1, 2009.

In order to structure the new eHealth Ontario organization to successfully meet its significant mandate, a complete review of strategy, governance and organizational structure was undertaken. This strategy included combining certain programs and strategies from the Ministry's former e-Health Program office with the former SSHA.

Progress Towards Goals and Objectives

During the fiscal year (FY) 2008-09, SSHA continued to experience significant financial, organizational and operational changes. Throughout these changes SSHA and the newly created eHealth Ontario continued to deliver its core product deployments (see Table 1). The organization connected 935 health care sites to the ONE Network, exceeding the revised target of 900 ONE Network sites. ONE Mail was successful in meeting its target of deploying to over 240 health care organizations this year. The new target was introduced to better reflect network connectivity. Also 18,985 new ONE Mail user accounts were deployed. This was lower than originally targeted as a majority of organizations chose a direct solution over partnered deployments reducing the need for individual ONE Mail deployments. The ONE ID user validation service processed 8,494 new registrations. The deployment of the Drug Profile Viewer (DPV) application beyond hospital emergency rooms surpassed the annual target of 100 sites by 61 additional sites.

Table 1: Product Deployments FY 04/05 - FY 08/09

	Actual FY 04/05	Actual FY 05/06	Actual FY 06/07	Actual FY 07/08	Actual FY 08/09	Target FY 08/09	% Target	% Growth Vs. FY 07/08	Total at 3631/09
ONE Network sites deployed	517	1,196	3,959	1,541	935	900	104%	61%	8,148
ONE Mail accounts deployed	1,100	8,700	43,644	63,295	18,985	35,000	54%	30%	135,724
ONE ID Registrations	N/A	5,346	6,754	4,190	8,494	N/A	N/A	203%	24,784
Hospitals with access to Drug Profile Viewer									
Within ER Dept	N/A	69	113	N/A	N/A	N/A	N/A	N/A	182
Other sites within the hospital	N/A	N/A	N/A	51	161	100	161%	316%	212

MD&A

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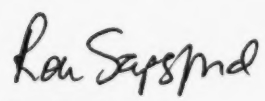

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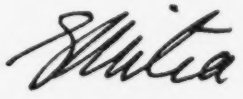

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Management's Discussion and Analysis

The Management's Discussion and Analysis (MD&A) comments on the financial position and results of operations of eHealth Ontario (the Agency) for the fiscal year ended March 31, 2009. This MD&A should be read in conjunction with the financial statements and accompanying notes which have been prepared in accordance with Canadian generally accepted accounting principles. Management is responsible for the information presented in the annual report which includes the MD&A.

On September 29, 2008 the Government of Ontario announced the launch of eHealth Ontario – a restructured agency responsible for all aspects of ehealth. eHealth Ontario brings together the former Smart Systems for Health Agency (SSHA) and the eHealth Program of the Ministry of Health and Long-Term Care. In January, 2009 the board of eHealth Ontario approved a provincial ehealth strategy with a mandate of playing a leading role in harnessing information technology and innovation to improve patient care, safety and access in support of the government's health strategy. The financial statements do not include the e-Health Program office which was transferred to eHealth Ontario effective April 1, 2009.

In order to structure the new eHealth Ontario organization to successfully meet its significant mandate, a complete review of strategy, governance and organizational structure was undertaken. This strategy included combining certain programs and strategies from the Ministry's former e-Health Program office with the former SSHA.

Progress Towards Goals and Objectives

During the fiscal year (FY) 2008-09, SSHA continued to experience significant financial, organizational and operational changes. Throughout these changes SSHA and the newly created eHealth Ontario continued to deliver its core product deployments (see Table 1). The organization connected 935 health care sites to the ONE Network, exceeding the revised target of 900 ONE Network sites. ONE Mail was successful in meeting its target of deploying to over 240 health care organizations this year. The new target was introduced to better reflect network connectivity. Also 18,985 new ONE Mail user accounts were deployed. This was lower than originally targeted as a majority of organizations chose a direct solution over partnered deployments reducing the need for individual ONE Mail deployments. The ONE ID user validation service processed 8,494 new registrations. The deployment of the Drug Profile Viewer (DPV) application beyond hospital emergency rooms surpassed the annual target of 100 sites by 61 additional sites.

Table 1: Product Deployments FY 04/05 - FY 08/09

	Actual FY 04/05	Actual FY 05/06	Actual FY 06/07	Actual FY 07/08	Actual FY 08/09	Target FY 08/09	% Target	% Growth Vs. FY 07/08	Total at 3/31/09
ONE Network sites deployed	517	1,196	3,959	1,541	935	900	104%	61%	8,148
ONE Mail accounts deployed	1,100	8,700	43,644	63,295	18,985	35,000	54%	30%	135,724
ONE ID Registrations	N/A	5,346	6,754	4,190	8,494	N/A	N/A	203%	24,784
Hospitals with access to Drug Profile Viewer									
Within ER Dept	N/A	69	113	N/A	N/A	N/A	N/A	N/A	182
Other sites within the hospital	N/A	N/A	N/A	51	161	100	161%	316%	212

Funding

eHealth Ontario receives all of its funding from the Ministry of Health and Long-Term Care (the Ministry). Under its establishing regulation as an operational services agency it is prohibited from receiving funding from any other source. eHealth Ontario does not charge health care providers for any of its products or services.

As noted in the Statement of Operations and Fund Balance and the Notes to the Financial Statements, funding for reporting purposes has been separated into government and deferred capital contributions. Deferred capital contributions relate to the purchase of hardware, software and property and equipment which are expensed (amortized) during the year. For FY2008-09 this expenditure amounted to $8.8 million compared to $7.6 million the prior year.

To support eHealth Ontario's general operations and new projects directed by the Ministry, the FY2008-09 committed funding increased to $225.0 million from $172.2 million in FY2007-08. The incremental funding increase of $52.8 million consisted of $38.1 million in general funding and other expenditures and $14.7 million in ehealth initiatives. General funding and other expenditures primarily support current year operations and ongoing costs of completed client projects ($10.2 million increase), expansion of eHealth Ontario's infrastructure ($17.5 million increase), ehealth strategy ($2.8 million) and agency transition costs ($6.8 million). Funding for ehealth initiatives is identified separately and may only be applied to those specific projects defined by the Ministry. See Table 2 below for expenditures on ehealth initiatives.

FY 2008-09 Expenditures

Set out in Table 2 below are the total expenses incurred in FY2008-09 including capital spend. General funding and other expenditures were $188.9 million ($158.3 million in FY2007-08), and ehealth initiatives were $35.2 million ($14.2 million in FY2007-08).

Table 2: Total Expenditures

	FY 2008/2009 ($ Millions)	FY 2007/2008 ($ Millions)
General funding and other expenditures	188.9	158.3
eHealth Initiatives Expenditures		
Community Care eHealth	7.4	0.7
Drug Strategy and Drug Profile Viewer Expansion	0.7	0.8
Diagnostic Imaging/Picture Archiving and Communication System Access	2.6	0.7
Enterprise Master Patient Index/Registry Strategy	4.7	7.9
Ontario Case Costing Initiative	0	0.2
Ontario Laboratory Information System	16.1	3.4
Panorama (Pan-Canadian Public Health Communicable Disease Surveillance and Management Project)	3.7	0.5
Total eHealth Initiatives Expenditures	35.2	14.2
Total Expenditures	**224.1**	**172.5**

The Statement of Operations and Fund Balance (see excerpt in Table 3 below) reflects the total expenses in the year with the exception of total capital expenditures in the year. It includes only the capital expensed (amortization) within the year.

Table 3: Expenses

	FY 2008/2009 ($ Millions)	FY 2007/2008 ($ Millions)
Expenses		
Network operations and management	72.4	58.1
Solutions development, delivery and support	63.8	54.7
Information technology operations	37.0	32.2
Privacy and security	2.6	3.9
General and administrative	19.1	15.0
Transition costs	6.8	0.0
	201.8	164.0
Amortization	8.8	7.6
Total Expenses	**210.6**	**171.6**

Network operations and management mainly related to the investment by eHealth Ontario in the development of its secure private network for health care providers to access applications hosted by eHealth Ontario and costs associated with the deployment of client services and solutions. Overall, the expenditures in FY2008-09 represented a $14.3 million or 25 per cent increase to the $58.1 million incurred in FY2007-08, of which $12.3 million related to increased network vendor costs. This increase was as a result of the additional 935 sites added to the ONE Network in FY2008-09 as well as the full year cost of the 1,541 sites added in the preceding FY2007-08.

Solutions development, delivery and support costs related to hosting client software applications, identity and access management services and the following eHealth Ontario products: (ONE Mail, ONE ID, ONE Portal and ONE Pages), in addition to the costs determined by commencing the development of client services and solutions. The $9.1 million or 17 per cent increase to the prior year spend was mainly due to the transition of the Ontario Laboratory Information System Application Services and Community Care eHealth (the applications management and support team) to eHealth Ontario.

Information technology operations included internal costs relating to providing information technology services to eHealth Ontario's products and services and the agency's two data centres in Markham and Streetsville. The $4.8 million or 15 per cent increase from the prior year was primarily due to the Infrastructure Transformation Program.

The Infrastructure Transformation Program was initiated this fiscal year to refresh the data centre infrastructure and included:

- The Data Centre Network Rebuild project encompassing the creation of a new network.
- A Storage Area Network (SAN) refresh project to increase storage capacity.
- Server Refresh project to refresh the existing server infrastructure.
- Enterprise Systems Management (ESM) project which reduces the time to provide new IT services and improves the quality of IT services delivered.
- Additional projects in the Program include the development, refinement and implementation of infrastructure lifecycle management (ILM) standards and processes.

Privacy and security protects the privacy and safeguards the confidentiality and integrity of personal health information held by eHealth Ontario. Privacy and security expenditures were reduced in FY2008-09 compared to FY2007-08 due to the $1.3 million, one-time spend for the Office of the Information and Privacy Commissioner of Ontario (IPC) review completed in the prior year.

General and administrative costs mainly included corporate resources and services for eHealth Ontario with the exception of legal, rent, recruitment and internal information technology costs allocated to other expense categories based on the work performed, department headcount or floor space occupied. General and administrative costs increased by $4.1 million in FY2008-09 compared to the prior year primarily due to $2.2 million in severance costs, and $1.7 million in resource costs including the strategic planning and architecture department formed in FY2008-09.

Transition costs mainly relate to $4.9 million in consulting costs, $0.7 million in recruitment services and $0.4 million in legal services for the development of a provincial ehealth strategy and a new organizational structure for eHealth Ontario. In addition, there were $0.5 million of costs related to hardware, software and telecommunications equipment for new resources.

Cash Flow and Financial Position

eHealth Ontario reported an increase in its cash position from operating activities of $2.9 million in FY2008-09 ($1.6 million in FY2007-08).

Capital spend in FY2008-09 was $22.3 million compared to $8.5 million in FY2007-08. As a part of the agency's mandate to build and refresh its IT infrastructure (primarily the Infrastructure Transformation Program), $11.1 million was invested in computer hardware and $8.3 million in computer software. In addition, $1.6 million was spent on furniture and office equipment and $1.3 million for leasehold improvements primarily to accommodate the transition of the applications management and support team and additional resources.

The year end balances in the Statement of Financial Position reflect significant capital spend related to the Infrastructure Transformation Program and other operations spending due to increased network connectivity and resource costs.

Summary

eHealth Ontario continued to deliver on its core products and services this year whilst managing within 0.3 per cent of its Ministry-approved spending level. This fiscal control was sustained while growing the reach of its products and services to the province's health care community and developing and receiving approval for its inaugural provincial ehealth strategy.

Auditors' Report

June 17, 2009

Auditors' Report

To the Board of Directors of eHealth Ontario

We have audited the statement of financial position of eHealth Ontario (formerly Smart Systems for Health Agency) as at March 31, 2009 and the statements of operations and fund balance and cash flows for the year then ended. These financial statements are the responsibility of eHealth Ontario's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of eHealth Ontario as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

CHARTERED ACCOUNTANTS, LICENSED PUBLIC ACCOUNTANTS

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PricewaterhouseCoopers LLP

CHARTERED ACCOUNTANTS, LICENSED PUBLIC ACCOUNTANTS

Statement of Financial Position

As at March 31, 2009

(in thousands of dollars)

	2009 $	2008 $
ASSETS		
Current assets		
Cash	6,852	3,931
Prepaid expenses	4,224	1,529
Due from the Province of Ontario (note 3)	33,500	16,759
	44,576	22,219
Property and equipment (note 4)	27,614	14,105
	72,190	**36,324**
LIABILITIES		
Current liabilities		
Accounts payable	24,282	5,148
Accrued liabilities		
Operating	15,492	16,730
Property and equipment	4,206	660
	43,980	22,538
Deferred capital contributions (note 6)	27,614	14,105
	71,594	36,643
Fund Balance (Deficit) (note 5)	596	(319)
	72,190	**36,324**
Commitments (note 7)		

Approved by the Board of Directors

Director

Director

Statement of Operations and Fund Balance

For the year ended March 31, 2009

(in thousands of dollars)

	2009 $	2008 $
FUNDING		
Government funding (note 3)	202,683	163,672
Amortization of deferred capital contributions (note 6)	8,808	7,573
	211,491	171,245
EXPENSES		
Network operations and management	72,412	58,146
Solutions development, delivery and support	63,784	54,714
Information technology operations	37,025	32,169
Privacy and security	2,637	3,930
General and administrative	19,085	15,032
Transition costs	6,825	-
	201,768	163,991
Amortization	8,808	7,573
	210,576	171,564
Excess (deficiency) of funding over expenses for the year	915	(319)
(Deficit) fund balance - Beginning of year	(319)	24
Repayment of prior year's surplus	-	(24)
Fund balance (deficit) - End of year	**596**	**(319)**

Statement of Cash Flows

For the year ended March 31, 2009

(in thousands of dollars)

	2009 $	2008 $
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of funding over expenses for the year	915	(319)
Items not affecting cash		
Amortization of deferred capital contributions (note 6)	(8,808)	(7,573)
Amortization	8,808	7,573
	915	(319)
Change in non-cash working capital items		
Due from the Province of Ontario	(16,741)	(3,962)
Prepaid expenses	(2,695)	349
Accounts payable	19,134	3,632
Accrued liabilities		
Operating	(1,238)	2,453
Property and equipment	3,546	(506)
	2,006	1,966
	2,921	1,647
Investing activities		
Purchase of property and equipment	(22,317)	(8,507)
Financing activities		
Deferred capital contributions received (note 6)	22,317	8,507
Reimbursement of prior year's surplus	-	(24)
	22,317	8,483
Increase in cash during the year	2,921	1,623
Cash - Beginning of year	3,931	2,308
Cash - End of year	6,852	3,931

Notes to Financial Statements

March 31, 2009

1. Nature of operations

On September 29, 2008, Smart Systems for Health Agency, a corporation without share capital, changed its name to eHealth Ontario under Ontario Regulation 43/02 (O. Reg. 43/02). Effective April 1, 2009, the e-Health Program office transferred to eHealth Ontario.

eHealth Ontario is an operational service agency as defined by the Management Board of Cabinet Directives. Subsection 2(3) of O. Reg. 43/02 provides that eHealth Ontario is, for all its purposes, an agency of Her Majesty within the meaning of the Crown Agency Act and its powers may be exercised only as an agency of Her Majesty. Subsection 6(1) of O. Reg. 43/02 provides that the Board of Directors is composed of the members appointed by the Lieutenant-Governor in Council on the recommendation of the Minister of Health and Long-Term Care. The Lieutenant-Governor in Council can appoint up to 12 members to eHealth Ontario's Board of Directors. Pursuant to subsection 7(1) of O. Reg. 43/02 and subject to any directions given by the Minister of Health and Long-Term Care under Section 8, the affairs of eHealth Ontario are under the management and control of the Board of Directors. Subsection 9(1) of O. Reg. 43/02 provides that the Chief Executive Officer of eHealth Ontario be appointed by the Lieutenant-Governor in Council.

Subsection 10.1(1) of O. Reg. 43/02 requires eHealth Ontario and the Ministry of Health and Long-Term Care (the Ministry) to enter into a memorandum of understanding (MOU). This MOU was executed on March 31, 2009. eHealth Ontario's new mandate is as follows:

a. provide a single, harmonized and coherent e-Health strategy for Ontario that supports the government's health agenda;

b. align all publicly funded eHealth Ontario initiatives through a single point of accountability; and

c. encompass all provincially funded health care system information initiatives that support clinicians and patient care delivery, and are actually or potentially province-wide in scope.

eHealth Ontario is funded by the Province of Ontario through the Ministry and operates on the same fiscal year as the Ontario government. As an agency of the Ministry, eHealth Ontario is exempt from income taxes.

2. Summary of significant accounting policies

Changes in accounting policy

On April 1, 2008, eHealth Ontario adopted The Canadian Institute of Chartered Accountants (CICA) Handbook Section 1535, Capital Disclosures. Section 1535 establishes disclosure requirements about an entity's fund balances and how they are managed. The purpose will be to enable users of the financial statements to evaluate objectives, policies and processes for managing fund balances (note 5).

On October 2, 2008, the Accounting Standards Board (AcSB) announced that application of Sections 3862, Financial Instruments - Disclosures, and 3863, Financial Instruments - Presentation was voluntary for not-for-profit organizations. In accordance with this announcement, eHealth Ontario has chosen to not adopt these standards as these disclosures do not provide any additional useful information to the financial statement users.

Future accounting changes

Recent amendments to CICA Handbook Section 4400, Financial Statement Presentation by Not-for-Profit Organizations, will modify the requirements with respect to various elements of financial statement presentation. These amendments include:

- reporting certain funding gross in the statement of operations and fund balance;
- making Section 1540, Cash Flow Statements, applicable to not-for-profit organizations;
- amortizing property and equipment reported as assets in the statement of financial position, regardless of the size of the organization;
- when a not-for-profit organization classifies its expenses by function and allocates some of its fundraising and general support costs to another function, disclosing the policy adopted for expenses and amounts allocated from each of these two functions to other functions; and
- the elimination of the requirement to treat net assets invested in property and equipment as a separate component of net assets.

The new standards apply to eHealth Ontario effective April 1, 2009. eHealth Ontario is currently evaluating the impact of these amendments on its financial statements.

Funding

Government funding is recognized when received, or when receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

eHealth Ontario follows the deferral method of accounting for funding received. Contributions with respect to the purchase of property and equipment are deferred and recognized as funding in the year in which the amortization expense is recognized.

Financial instruments

eHealth Ontario's financial instruments consist of cash, due from the Province of Ontario and accounts payable and accrued liabilities. The carrying values of these financial instruments approximate their fair value due to their short-term maturities.

eHealth Ontario's financial instruments are generally classified and measured as follows:

• Cash	held-for-trading
• Due from the Province of Ontario	loans or receivables
• Accounts payable	other financial liabilities
• Accrued liabilities	other financial liabilities

Financial assets classified as held-for-trading are recorded at fair market value at the statement of financial position date. Amounts classified as loans or receivables or other financial liabilities are accounted for at amortized cost.

Expense categories

Network operations and management include costs relating to eHealth Ontario's secure, private network used by health-care organizations to access applications hosted by eHealth Ontario and as a custom connection for their specific information sharing needs. It also includes costs associated with the deployment of client services/solutions.

The solutions development, delivery and support category includes costs related to hosting client software applications, identity and access management services, email related services, online directory services and hosting of online portals for health-care professionals throughout Ontario. It also includes costs relating to the initiation and development of client services/solutions and external communications, as well as costs relating to governance, management and control of eHealth Ontario's projects through centralized project management services. Further, it includes costs relating to development, implementation and operationalization of specific eHealth Ontario initiatives such as the electronic master patient index and the Ontario Laboratory Information System, which receive discreet funding from the Ministry.

The information technology operations category includes costs relating to eHealth Ontario's internal capacity to provide information technology services to the e-Health Program office, as well as costs associated with the data centres employed by eHealth Ontario.

The privacy and security category includes costs related to protecting the privacy of and safeguarding the confidentiality and integrity of personal health information held by eHealth Ontario.

The general and administrative category includes costs relating to corporate resources and services with the exception of legal, rent, recruitment and internal information technology costs, which have been allocated to other expense categories based on the work performed, department headcount or floor space occupied.

The transition costs category includes costs relating to the transition from Smart Systems for Health Agency to eHealth Ontario.

Property and equipment

Property and equipment are recorded at cost, net of accumulated amortization. Amortization is provided on a straight-line basis, with only one-half of the amortization recorded in the year of purchase, over the estimated useful lives of the assets as follows:

• Computer hardware	3 years
• Computer software	3 years
• Furniture and office equipment	5 years
• Leasehold improvements	over the term of the respective leases

Property and equipment that no longer have any long-term service potential for eHealth Ontario are written down to residual value, if any. The excess of the carrying value over the residual value of such assets is recognized as amortization in the statement of operations and fund balance.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements and the reported amounts of funding and expenses during the reporting period. Actual results could differ from those estimates.

3. Government funding

eHealth Ontario obtained a funding commitment of $225,000 (2008 - $172,179) from the Ministry, of which $33,500 (2008 - $16,759) was collected subsequent to year-end. This funding was accounted for in accordance with eHealth Ontario's accounting policies as follows:

	2009 $	2008 $
Committed funding	225,000	172,179
Amounts received	225,000	172,179
Purchases of property and equipment (note 6)	(22,317)	(8,507)
	202,683	163,672

4. Property and equipment

	2009		
	Cost $	Accumulated amortization $	Net $
Computer hardware	48,357	34,312	14,045
Computer software	27,988	18,053	9,935
Furniture and office equipment	3,973	2,097	1,876
Leasehold improvements	3,335	1,577	1,758
	83,653	56,039	27,614

	2008		
	Cost $	Accumulated amortization $	Net $
Computer hardware	37,234	29,983	7,251
Computer software	19,652	14,400	5,252
Furniture and office equipment	2,405	1,668	737
Leasehold improvements	2,045	1,180	865
	61,336	47,231	14,105

There are assets included in property and equipment that have been purchased and not placed into use and therefore have not been amortized for the year. The net book value of computer hardware not in use is $6,478 (2008 - $1,301) and computer software not in use is $2,812 (2008 - $552).

In addition, there are certain assets that have been purchased in previous years but are not currently being used. The net book value of computer hardware is $311 (2008 - $360) and computer software is $225 (2008 - $nil).

In the prior the year, certain computer equipment, which was no longer in use, with a net book value of $198, was written off as amortization.

5. Managing the fund balance

eHealth Ontario receives all of its funding from the Ministry. Any surplus balance must be repaid in the following fiscal year. Any deficit balance reduces the funding allocation in the following fiscal year.

6. Deferred capital contributions

	2009 $	2008 $
Balance - Beginning of year	14,105	13,171
Property and equipment contributions received	22,317	8,507
Amortization	(8,808)	(7,573)
Balance - End of year	27,614	14,105

7. Commitments

a. eHealth Ontario has various contractual commitments. The commitments are for services and space relating to the highly secure data centres that are utilized to host the eHealth Ontario ONE suite of products and services and other initiatives and to host client applications. Payments required on these commitments are as follows:

	$
2010	29,304
2011	29,364
2012	28,931
2013	26,401
2014	19,168

b. Ontario Realty Corporation, a Crown Corporation of the Province of Ontario, holds leases on the office space occupied by eHealth Ontario. eHealth Ontario is responsible for all the operating lease payments. The payments required to the date of expiry are as follows:

	$
2010	3,039
2011	2,817
2012	1,101
2013	243

c. On April 1, 2009, eHealth Ontario assumed the leases previously held by the e-Health Program office. eHealth Ontario is responsible for all the operating lease payments. The payments required to the date of expiry are as follows:

	$
2010	752
2011	654
2012	645
2013	475

d. eHealth Ontario has entered into a multi-year contractual agreement with IBM Canada Ltd. to provide information technology services. Payments are expected to be $8,493 in fiscal 2010 and $5,280 in fiscal 2011.

8. Employee benefits

eHealth Ontario has a defined contribution pension plan for its employees. eHealth Ontario's contributions to this plan during the year amounted to $2,043 (2008 - $1,621).

9. Subsequent event

On April 1, 2009, eHealth Ontario assumed responsibility for transfer payment and funding commitments that were previously managed by the former e-Health Program office of the Ministry, which are issued by the province at its direction. These commitments include payments to hospitals, clinicians and Local Health Integration Networks to support key elements of the eHealth Ontario strategy. eHealth Ontario's mandate and governing MOU is referred to in note 1. Under the Transfer Payment Agreement and MOU with the Ministry, eHealth Ontario will receive funding to fulfill these commitments.

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